

# Press release

Paris, 4 November 2022

## QUARTERLY FINANCIAL INFORMATION ALD reports third quarter and nine months 2022 results

- RECORD NET INCOME (GROUP SHARE) IN 9M 2022: EUR 918.2 MILLION, UP 50.5% VS 9M 2021, OF WHICH EUR 312.1 MILLION IN Q3 2022
- NON-OPERATING ITEMS CONTRIBUTING TO LEASING CONTRACT MARGIN: EUR +224.6 MILLION IN 9M 2022 (PRE-TAX), OF WHICH EUR +108.7 MILLION IN Q3
- FUNDED FLEET AT 1.45 MILLION, UP 5.2% VS END SEPTEMBER 2021
- RAMP-UP OF LEASEPLAN ACQUISITION-RELATED COSTS: EUR 83.9 MILLION INCURRED IN 9M 2022, OF WHICH EUR 42.6 MILLION IN Q3 2022
- GUIDANCE RAISED ON FY 2022 AVERAGE USED CAR SALES RESULT PER UNIT

### 9M 2022 results highlights

- ✓ **Leasing Contract and Services Margins** at EUR 1,259.4 million, up 23.6% vs 9M 2021 and up 3.3% over the same period when adjusted for fleet revaluation and depreciation adjustments (EUR +189.6 million), the impact of hyperinflation accounting rules in Turkey (EUR +60.1 million) and a provision in Ukraine (EUR -25 million)
- ✓ **Used Car Sales result** at EUR 623.7 million, vs EUR 277.7 million in 9M 2021
- ✓ **Operating expenses** at EUR 624.3 million, incorporating EUR 83.9 million of LeasePlan acquisition-related costs
- ✓ **Cost of Risk** at EUR 32.4 million

On 4 November 2022, Tim Albertsen, ALD CEO, commenting on the 9M 2022 Group Results, stated: *“Against the backdrop of a deteriorating geopolitical and macroeconomic environment, with continued disruptions of supply chains, ALD again recorded a strong performance in the third quarter. Our record financial results reflect the solidity of our business model and our capacity to adjust promptly to unprecedented situations. 2022 looks like it will be another excellent year for ALD, confirming our track record of profitable growth through the cycle.*

*Thanks to our employees’ professionalism and commitment over the past two decades, we are leading the transformation of the mobility industry, taking advantage of its strong megatrends. Our strategy consistently generates outstanding results, bolstered by our sector-leading operating efficiency and prudent risk management practices. As a result, ALD is in an excellent position to embark on the step-up change represented by the highly strategic and synergetic acquisition of LeasePlan, for which the approval processes are on track for a closing in Q1 2023.”*

## Updated guidance for 2022

The shortage of new cars and the highly favourable supply/demand situation in the used car markets witnessed in the first semester of this year remained in place in the third quarter. Against this background and in view of the outstanding results recorded in 9M 2022, ALD is upgrading its guidance for the full year 2022 as follows:

- ✓ **Funded fleet** growth between 2% and 4% (unchanged);
- ✓ **Used Car Sales result per vehicle** above EUR 2,800 on average in 2022 (raised from “above EUR 2,000”).

ALD expects the used car market to remain strong at least until the end of the year. Notwithstanding, the reduction in depreciation costs<sup>1</sup> recorded since H1 2022 (increasing the Leasing contract margin) anticipated part of expected future UCS results.

Consequently, assuming unchanged used car market conditions, Used Car Sales result per unit<sup>2</sup> is expected to decrease from the high levels observed in Q2 and Q3 2022, as a portion of UCS profit will continue to be recognized in Leasing contract margin;

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<sup>1</sup> Reduction in depreciation costs compared to the contractual costs in relation to vehicles whose sales proceeds are forecast to be in excess of their net book value and for which depreciation has been adjusted or stopped

<sup>2</sup> Management information

- ✓ **Dividend payout ratio** between 50% and 60% of Net Income Group Share (unchanged). While the closing of the LeasePlan acquisition is expected before the payment of the 2022 dividend, the shareholders of LeasePlan will not benefit from this dividend.

## Update on the acquisition of LeasePlan

ALD continues to prepare for the acquisition of LeasePlan. Costs related to the closing, the associated transition to regulatory status and the preparation of a smooth and efficient integration plan have ramped up throughout the year, reflecting the intensification of work towards closing. In view of this, ALD is raising its estimation of the full-year 2022 impact of these costs to c. EUR 120 million, up from c. EUR 100m previously.

ALD continues to work towards the completion of the LeasePlan acquisition. Approval processes are on track. Therefore, ALD expects to launch the rights issue before the end of 2022. Closing of the acquisition is expected to follow in Q1 2023.

## Record 9M 2022 financial results

Funded fleet<sup>3</sup> grew by +5.2% compared to end September 2021, to 1,454 thousand vehicles at end September 2022, underpinned by solid organic growth of +2.8% in the face of continuing supply chain constraints. Growth since the beginning of the year came in at +1.9%, putting ALD on track to achieve its guidance of +2% to +4% funded fleet growth in 2022.

Total contracts stood at 1,762 thousand at end September 2022.

The order book decreased modestly compared to end June 2022, reflecting continued strong commercial dynamics slightly outpaced by deliveries of new cars. Nevertheless, the order book levelled off during Q3, remaining at a historically high level.

The share of Electric Vehicles in ALD's new car registrations<sup>4</sup> over the past 12 months was 27%, held back by the continued disruptions in supply chains. ALD nevertheless again affirmed its position as

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<sup>3</sup> Including ALD Flex and Used Car Lease

<sup>4</sup> In the European Union, UK, Norway and Switzerland; management information

a leader in electrification in the European market, where EV penetration reached 22% in September 2022<sup>5</sup>.

Total margins reached EUR 1,259.4 million in 9M 2022, an increase of 23.6% compared to 9M 2021. This number includes EUR +224.6 million of non-operating items contributing to the Leasing contract margin, vs EUR +17.8 million in 9M 2021. Non-operating items added EUR 108.7 million in Q3 2022 alone.

- Depreciation adjustments: EUR +189.6 million vs EUR +17.8 million in 9M 2021, reflecting highly favourable market conditions, which ALD expects to last at least for the rest of the year. Two types of impacts were registered in 9M 2022:
  - ✓ An income of EUR +59.6 million (vs EUR +17.8 million in 9M 2021) deriving from the usual fleet revaluation exercise, based on the expected roll-off of the fleet portfolio;
  - ✓ A reduction in depreciation costs of EUR +130.0 million, driven by a change in the depreciation curve, reflecting expected exceptionally high used car prices in the near term. As a result, depreciation has been adjusted or stopped for those vehicles whose sales proceeds are forecast to be in excess of their net book value. The reduction in depreciation costs equals the difference between the contractual amortization costs and the revised amortization cost. It anticipates in the Leasing contract margin part of Used car sales results which would otherwise be recorded later.
- Application of hyperinflation accounting rules<sup>6</sup> in Turkey: EUR +60.1 million;
- Provision in Ukraine: EUR -25 million booked in Q1 2022<sup>7</sup>.

When adjusted for these items, Total margins increased by 3.3% compared to 9M 2021.

The contribution from Used Car Sales result reached EUR 623.7 million in 9M 2022 vs EUR 277.7 million in 9M 2021. This record result is driven by exceedingly favorable conditions in used car markets, which continued to benefit from unprecedented supply shortages. Average sales margin on used vehicles<sup>8</sup> came in at EUR 3,149 per unit in 9M 2022 vs EUR 1,126 per unit in 9M 2021. UCS

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<sup>5</sup> EV penetration in the UK, Germany, Sweden, Norway, Italy, France and Spain in September 2022, source: Citi Research, European automotive trade associations

<sup>6</sup> As per IAS 29 "Financial Reporting in Hyperinflationary Economies"

<sup>7</sup> Provisions representing 50% of rental fleet and customer receivables. Total assets net of provisions in Ukraine were EUR 44.3 million at end September 2022

<sup>8</sup> Management information

result reached EUR 3,014 per unit in Q3 2022, down from EUR 3,330 per unit in Q2 2022. The quarter-on-quarter decrease is due to the aforementioned reduction in depreciation costs accounted for in Leasing contract margin in Q2 2022, representing an anticipation of part of UCS results which would otherwise have been recorded later. Had ALD not recorded any reduction in depreciation costs to reflect exceptionally high used car prices in Q2 2022, UCS result per unit would have reached EUR 3,607 in Q3 2022.

ALD sold 198 thousand units<sup>9</sup> in 9M 2022, of which 63 thousand units in Q3 2022, vs 247 thousand in 9M 2021. This decrease is explained by a higher number of contract extensions and Used Car Leases.

As a consequence, ALD's Gross Operating Income reached EUR 1,883.1 million in 9M 2022, up 45.2% vs. 9M 2021.

Operating Expenses amounted to EUR 624.3 million in 9M 2022, including preparation costs for the acquisition of LeasePlan for EUR 83.9 million, the entry of Sabadell Renting and FFM UK into the consolidation scope for EUR 9.9 million and the rise in variable compensation accrual reflecting record Used Car Sales results. The Cost/Income Ratio (excl. UCS result) was 49.6% in 9M 2022.

Impairment charges on receivables of EUR 32.4 million in 9M 2022 remained contained, although up from the low level of EUR 25.2 million in 9M 2021.

Income tax expense increased to EUR 307.2 million in 9M 2022, up from EUR 165.6 million in 9M 2021, outpacing the rise in profit before tax, due to the end of the benefit of the Italian Stability Law, the provision in Ukraine and hyperinflation in Turkey. Effective tax rate came in at 25.0% over 9M 2022.

ALD's Net Income (Group Share) reached a record level of EUR 918.2 million in 9M 2022, up sharply by 50.5% from EUR 610.1 million in 9M 2021, with a contribution from Q3 2022 of EUR 312.1 million, up from EUR 258.1 million in Q3 2021.

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<sup>9</sup> Management information

ALD continues to closely monitor the situation in Ukraine and Russia.

- In Ukraine, ALD operates a fleet of c. 4,700 vehicles and has booked provisions of EUR 27.5m at end September 2022, covering c. 50% of the funded fleet and customer receivables. At 30 September 2022, total assets net of provisions in Ukraine stood at EUR 44.3 million, vs. EUR 70.6 million at 31 December 2021.
- In Russia, Kazakhstan and Belarus, ALD no longer concludes any new commercial transaction and operates a funded fleet of c. 16,900 vehicles at 30 September 2022, down from c. 20,300 vehicles at 31 December 2021. Total equity of the above-mentioned entities amounted to EUR 211.4 million, vs. EUR 135.2 million at 31 December 2021. The increase between the two periods is primarily attributable to a positive translation effect due to the appreciation of the Russian Ruble against the Euro.

In May 2022, Russia issued new legislation which outlines temporary restrictions and a special procedure for the payment of dividends by Russian limited liability companies to their foreign shareholders connected with “unfriendly states”. The payment of dividends is subject to prior authorization from the Central Bank of Russia or the Ministry of Finance. In October 2022, ALD filed a request for a dividend payment, which is currently being reviewed by the relevant authorities.

As part of its active liquidity management strategy, ALD further diversified its funding through a EUR 750 million senior unsecured bond issuance in October 2022, confirming the market’s solid appetite for ALD debt despite challenging market conditions. With this bond issue, ALD has achieved its annual 2022 funding programme.

## Conference call for investors and analysts

Date: 4 November 2022, at 10.00 am Paris time - 9.00 am London time

Speakers: Tim Albertsen, CEO and Gilles Momper, CFO

Connection details:

- Webcast: [Click here](#)
- Conference call registration link: [Click here](#)

Following your registration, you will receive the connection details by email (Phone number and password)

## Agenda

- **8 February 2023:** Q4 and FY 2022 results
- **12 May 2023:** Q1 2023 results
- **3 August 2023:** Q2 and H1 2023 results

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## About

### ALD

ALD is a global leader in mobility solutions providing full service leasing and fleet management services across 43 countries to a client base of large corporates, SMEs, professionals and private individuals. A leader in its industry, ALD places sustainable mobility at the heart of its strategy, delivering innovative mobility solutions and technology-enabled services to its clients, helping them focus on their everyday business.

With 7 050 employees around the globe, ALD manages 1.76 million vehicles (at end September 2022).

ALD is listed on Compartment A of Euronext Paris (ISIN: FR0013258662; Ticker: ALD) and is included in the SBF120 index. Société Générale is ALD's majority shareholder.

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## Appendix

Unaudited consolidated income statement (in EUR million)	Q3 2022	Q3 2021	Var.	9M 2022	9M 2021	Var.
Leasing Contract Margin	273.4	174.2	57.0%	753.0	531.0	41.8%
Services Margin	180.7	173.5	4.2%	506.4	488.2	3.7%
<b>Leasing Contract and Services Margins</b>	<b>454.2</b>	<b>347.6</b>	<b>30.6%</b>	<b>1,259.4</b>	<b>1,019.2</b>	<b>23.6%</b>
Used Car Sales result	191.0	152.4	25.3%	623.7	277.7	124.6%
<b>Gross Operating Income</b>	<b>645.2</b>	<b>500.1</b>	<b>29.0%</b>	<b>1,883.1</b>	<b>1,296.9</b>	<b>45.2%</b>
<b>Total Operating Expenses</b>	<b>(220.0)</b>	<b>(161.8)</b>	<b>36.0%</b>	<b>(624.3)</b>	<b>(491.7)</b>	<b>26.9%</b>
<i>Cost/Income ratio (excl CSR)</i>	48.4%	46.5%	<b>1.9pts</b>	49.6%	48.2%	<b>1.3pts</b>
Impairment Charges on Receivables	(13.5)	(8.6)	55.9%	(32.4)	(25.2)	28.3%
<b>Operating Result</b>	<b>411.8</b>	<b>329.6</b>	<b>24.9%</b>	<b>1,226.5</b>	<b>780.0</b>	<b>57.3%</b>
Share of Profit of Associates and Jointly Controlled Entities	0.3	0.4	-24.9%	1.4	1.1	22.9%
<b>Profit Before Tax</b>	<b>412.1</b>	<b>330.0</b>	<b>24.9%</b>	<b>1,227.9</b>	<b>781.1</b>	<b>57.2%</b>
Income Tax Expense	(99.2)	(70.0)	41.7%	(307.2)	(165.6)	85.5%
Result for the period from discontinued operations	0.0	0.0		0.0	0.0	
<b>Profit for the Period</b>	<b>312.9</b>	<b>260.0</b>	<b>20.3%</b>	<b>920.7</b>	<b>615.5</b>	<b>49.6%</b>
<b>Net Income</b>	<b>312.9</b>	<b>260.0</b>	<b>20.3%</b>	<b>920.7</b>	<b>615.5</b>	<b>49.6%</b>
Non-Controlling Interests	0.8	1.9	-56.1%	2.5	5.3	-52.3%
<b>Net Income Group share</b>	<b>312.1</b>	<b>258.1</b>	<b>20.9%</b>	<b>918.2</b>	<b>610.1</b>	<b>50.5%</b>